

It is imperative that the Director of the Central Intelligence Agency have the complete authority to administer all retirement programs for Agency employees. This is so because under existing statute the Director must protect the names, identities, and numbers of Agency employees. Without internal administration (including authority to disburse funds from the Treasury and Thrift Fund) being undertaken by the Agency, the Director will be unable to ensure that names and numbers of Agency employees are properly controlled.

In the past, names in manual records at OPM had been sufficiently unsophisticated so as not to present a major CIA concern. The current state-of-the-art and the expectations for enhancements of existing automation systems caused the Agency to review what data on employees is contained externally at OPM. This review has concluded that the only way the Agency can ensure that the Director satisfies his statutory authority is to maintain all records on all Agency employees inside Agency premises. Without providing the Director of Central Intelligence with the statutory authorities to totally administer the retirement programs for all Agency employees, there is no way that Agency identities can be properly protected from becoming accessible by non-Agency employees.

Date 5/8/86

ROUTING AND TRANSMITTAL SLIP

To: (Name, office symbol, room number, including Agency/Post)	Initials	Date
1. <u>ME for the Penn</u>		
2.		
3.		
4.		
5.		

Action	File	Info and Return
Reviewed	For Clearance	For Dissemination
As Requested	For Comment	Disseminate Fully
Exempt	For Your Information	Not to
Disseminate	Indefinite	Signature
Dissemination	Justify	

The attached changes
hand carried to Dave
Addington (HPSCI) and John
Nelson (SSCI) for incorporation
into draft supplement returned
yesterday. This modified by Dave and
rechecked in person draft 9 May 86,
DO NOT use this form as a vehicle for requesting transmittal, signature,
clearance, and other action.

From: (Name, org. symbol, Agency/Post)	Form No. <u>41</u>
	Phone No. _____

5041-102

NO. 5A

CHANGE: Page 5, strike lines 19 and 20 and substitute the following language in Section 302(a).

for purposes of determining such officer's or employee's retirement benefits and obligations as if such officer or employee were a law enforcement officer as defined in Section 8401(17) of Title 5, United States Code.

REASON: This change is intended to clarify that CIA employees designated by the Director under this section are a separate special category, but who are to receive benefits in the same manner as law enforcement officers.

NO. 7A

CHANGE: Page 7, line 6 to add the following after Code:

States Code and who has a former spouse as defined in Section 204(b) (4) of this Act.

REASON: The language in section 304(a) appears to exclude all CIA employees from the former spouse provisions of chapter 84. This change is intended to clarify that only CIA employees, with former spouses who meet the criteria set forth in the CIARDS Act, i.e., have served five years overseas and have been married ten years to the employee, are covered by this section.

NO. 14AA

CHANGE: Page 13, immediately after line _____ and before line _____, add the following new section to title III of the CIA Retirement Act as enacted by Section 404 of of the bill:

"SEC. 309. Notwithstanding the provisions of Section 8331 of Title 5, United States Code, participants in the Central Intelligence Agency Retirement and Disability System shall be deemed to be employees for purposes of Section 8350 of such title."

REASON: This change provides for CIARDS participants to participate in the Thrift savings plan in the same manner as employees covered by chapter 83.

NO. 14AAA

CHANGE: Page 13, immediately after line _____ and before line _____, add the following new section to title III of the CIA Retirement Act as enacted by Section 404 of the bill:

"SEC. 310. (a) Notwithstanding any provision of chapter 83 or chapter 84 of Title 5, United States Code, the Director shall not be required to provide information protected pursuant to Section 102(d)(3) of the National Security Act of 1947, as amended, or Section 6 of the Central Intelligence Agency Act of 1949, as amended, or any Executive Order, to any party who is not authorized under the provisions of such Act or Order to receive such information."

"(b) The Director may authorize the provision of such information to a party subject to such conditions and requirements as the Director may prescribe."

REASON: This language is intended to clarify that nothing in the new law with respect to review and examination of records directed by the Executive Director of the Thrift Plan or the Director of OPM will supercede the DCI's authority to protect sensitive information.

NO. 14AAA

CHANGE: Page 13, immediately after line _____ and before line _____, add the following new section to title III of the CIA Retirement Act as enacted by Section 404 of the bill:

"SEC. 310. (a) Notwithstanding any provision of chapter 83 or chapter 84 of Title 5, United States Code, the Director shall not be required to provide information protected pursuant to Section 102(d)(3) of the National Security Act of 1947, as amended, or Section 6 of the Central Intelligence Agency Act of 1949, as amended, or any Executive Order, to any party who is not authorized under the provisions of such Act or Order to receive such information."

"(b) The Director may authorize the provision of such information to a party subject to such conditions and requirements as the Director may prescribe."

REASON: This language is intended to clarify that nothing in the new law with respect to review and examination of records directed by the Executive Director of the Thrift Plan or the Director of OPM will supercede the DCI's authority to protect sensitive information.

S.L.C.

879928.132

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1 such system on or before December 31, 1983, and who have not
 2 had a break in service in excess of 1 year since that date,
 3 are not subject to chapter 84 of title 5, United States Code,
 4 without regard to whether they are subject to title II of the
 5 Social Security Act.

6 (c) The application of the provisions of chapter 84 of
 7 title 5, United States Code, to officers and employees
 8 referred to in subsection (a) shall be subject to the
 9 exceptions and special rules provided in this title. Any
 10 provision of such chapter which is inconsistent with a
 11 special rule provided in this title shall not apply to such
 12 officers and employees.

CRITERIA

EMPLOYEES

13 SPECIAL RULES RELATING TO SECTION 223
 14 Sec. 302. (a) Except as otherwise provided in this
 15 section, in the application of chapter 84 of title 5, United
 16 States Code, to an officer or employee of the Agency who is
 17 subject to such chapter and is designated by the Director..
 18 the criteria set forth in section 223, such officer or employee shall be treated
 19 in the same manner as a law enforcement officer under such
 20 chapter.

No. 5

21 (b) The provisions of sections 233 and 235 of this Act
 22 shall apply to officers and employees referred to in
 23 subsection (a), except that the retirement benefits shall be
 24 determined under the provisions of chapter 84 of title 5,
 25 United States Code.

for purposes of determining
 such officer's or employee's retirement
 benefits and obligations as if such
 officer or employee were a law enforcement
 officer as defined in section 8401(1) of
 title 5, United States Code.

9.

May 15, 1986

Pierce:

This is the correction we discussed on the phone that Mike O'Neil called you about.

Change: In Section 303 of the CIA Retirement Act as contained in Section 406 of the Federal Employees Retirement System Act of 1986, add the following subsection:

"(c)(1) The Director of Central Intelligence shall issue regulations providing for officers and employees of the Agency subject to subchapter III of chapter 83 of title 5, United States Code, to receive the special accrual rate benefit provided by subsections (a) and (b) of this section (if it exceeds the otherwise applicable rate) in the same manner and with the same effect as provided in such subsections.

"(2) The Director of Central Intelligence shall submit the regulations issued under paragraph (1) to the Select Committee on Intelligence of the Senate and the Permanent Select Committee on Intelligence of the House of Representatives before the regulations take effect."

Michael —
I spoke w/ Pierce
he understood it, and I'm confident
like the concept & doesn't think they
will accept it, but asked me to send the
language anyway.
Also, he wants "statement of managers"
language as soon as possible
and hopefully no later than
lunchtime.

WJH

I added this
parenthetical
after discussion
w/ Pierce

PROPOSED CONFERENCE AGREEMENT - SUPPLEMENTAL RETIREMENT LEGISLATION

1. BASIC ANNUITY PLAN

Proposed conference agreement - May 14, 1986																													
A. Eligibility	Federal civilian employees covered by Social Security (generally, those employees hired after December 31, 1983).																												
B. Employee contributions required	1.3% of pay in 1987, 0.94% in 1988-89, and 0.8% after 1989.																												
C. Vesting of retirement benefits	5 years civilian service, provided employee's contributions are not refunded.																												
D. Salary base	Average of high-3 years salary.																												
E. Retirement benefit	1% of high-3 pay times years of service, or 1.1% if retiring after age 62 & 20 years svc.																												
F. Eligibility for retirement																													
1. Unreduced	Age 62 & 5 years service, age 60 & 20 years service, or "Minimum Retirement Age" & 30 years service--																												
	<table> <tr> <th>Year of birth</th><th>Minimum Retirement Age</th></tr> <tr> <td>Before 1948</td><td>55</td></tr> <tr> <td>1948</td><td>55 & 2 months</td></tr> <tr> <td>1949</td><td>55 & 4 months</td></tr> <tr> <td>1950</td><td>55 & 6 months</td></tr> <tr> <td>1951</td><td>55 & 8 months</td></tr> <tr> <td>1952</td><td>55 & 10 months</td></tr> <tr> <td>1953 - 1964</td><td>56</td></tr> <tr> <td>1965</td><td>56 & 2 months</td></tr> <tr> <td>1966</td><td>55 & 4 months</td></tr> <tr> <td>1967</td><td>55 & 6 months</td></tr> <tr> <td>1968</td><td>55 & 8 months</td></tr> <tr> <td>1969</td><td>56 & 10 months</td></tr> <tr> <td>1970 & after</td><td>57</td></tr> </table>	Year of birth	Minimum Retirement Age	Before 1948	55	1948	55 & 2 months	1949	55 & 4 months	1950	55 & 6 months	1951	55 & 8 months	1952	55 & 10 months	1953 - 1964	56	1965	56 & 2 months	1966	55 & 4 months	1967	55 & 6 months	1968	55 & 8 months	1969	56 & 10 months	1970 & after	57
Year of birth	Minimum Retirement Age																												
Before 1948	55																												
1948	55 & 2 months																												
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1950	55 & 6 months																												
1951	55 & 8 months																												
1952	55 & 10 months																												
1953 - 1964	56																												
1965	56 & 2 months																												
1966	55 & 4 months																												
1967	55 & 6 months																												
1968	55 & 8 months																												
1969	56 & 10 months																												
1970 & after	57																												
2. Reduced	Minimum Retirement Age & 10 years service.																												
3. Involuntary	Age 50 & 20 years service, or any age & 25 years service.																												
4. Deferred vested	Unreduced benefit at age 62, if employee had 5 years civilian service at termination and did not get refund of contributions. Reduced benefit available at Minimum Retirement Age to vested employee with 10 years service.																												

1. BASIC ANNUITY PLAN (continued)

Proposed conference agreement - May 14, 1986

G. Amount of annuity

1. Unreduced

Based on accrual rate, without reduction.

2. Reduced

Reduced 5% for each year under age 62.

3. Involuntary

Based on accrual rate without reduction. Supplement paid from Minimum Ret. Age to age 62.

4. Deferred vested

Full accrued benefit payable at age 62. Reduced benefit can be elected at Minimum Retirement Age by former employee with 10 years of service.

H. Supplement payable to age 62

Employee retiring after Minimum Retirement Age with 30 years service, or age 60 with 20 years service, gets Supplement to age 62, equal to estimated Social Security benefit earned in federal service.

Supplement is subject to earnings test, similar to the test used by Social Security at age 62, reducing Supplement if retiree has earned income in excess of an annual exempt amount (\$5,760 in 1986, wage-indexed).

I. Refunds

Option to withdraw contributions at separation with benefits forfeited.

J. Cost-of-living adjustments (COLAs)

1. Annual COLA percentage, based on increase in Consumer Price Index (CPI)

Increase in CPI

Annual COLA percentage

Up to 2%.....Same as CPI increase

2% to 3%.....2%

3% or more.....CPI increase minus 1 percentage point

2. Eligibility for COLA

Regular retirees over age 62, or disabled and survivors at any age.

K. Optional forms of benefits

1. Joint-&-survivor annuity, automatic if married unless jointly rejected. Employee's annuity is reduced 10% to provide spouse with 50% survivor benefit.

2. Alternative options that are actuarially equivalent and offered by Office of Personnel Management.

2. THRIFT-SAVINGS PLAN

Proposed conference agreement - May 14, 1986

A. Eligibility

Every 6 months employees have an open season to join the plan or reallocate investments. Newly hired employees may join at the second open season (6 to 12 months after hire).

B. Contributions by employer and employees

Employer automatically contributes 1 percent of pay into each employee's account.

Employees may contribute up to 10% of pay, with employer matching as follows--

First 3% of pay.....\$1.00 per \$1.00
Next 2% of pay.....\$.50 per \$1.00.

So employer contributes at most 5% of pay for any employee.

Employees covered by CSRS also may contribute up to 5% of pay, with no employer matching, to invest in Fund A (government securities).

C. Vesting

Full and immediate vesting of all except the 1%-of-pay automatic government contribution. This automatic contribution becomes vested at 3 years of service for career civil servants, 2 years of service for non-career SES and political (Schedule C) appointees, Members and Congressional staff.

D. Investments

1. Employee may elect to invest own account in:

Fund A--Special government securities.

Fund B--Fixed-income securities, using insurance company Guaranteed Investment Contracts (GICs), bank certificates of deposit or other private-sector securities.

Fund C--Equities, using a stock index fund (invested in proportion to a diversified common stock portfolio such as the Wilshire 5000 Equity index).

2. Management of investment funds

The investment funds are managed by a Board of 5 members appointed by the President, taking into account one recommendation from the Senate and one from the House. Executive Director is responsible for investment operations, employee recordkeeping, etc. Voting rights in connection with common stock owned by the Plan are not exercised.

2. THRIFT-SAVINGS PLAN (continued)

Proposed conference agreement - May 14, 1986

D. Investments (continued)

3. Phase-in of private-sector investment option in early years of the thrift plan:	Contributions in calendar year	Percentage required to be in government securities	
		Employee	Employer
	1987	100%	100%
	1988	80	100
	1989	60	100
	1990	40	100
	1991	20	100
	(After 1991, no funds derived from employee contributions are required to be held in government securities.)		
	1992	0	100
	1993	0	80
	1994	0	60
	1995	0	40
	1996	0	20
	(After 1996, no funds are required to be held in government securities.)		

E. Payout of employee retirement accounts

Employee may elect payout of
account balance:

1. As annuity for life or for a fixed term.
2. In cash (at retirement age, death or disability).
3. As rollover to IRA (at termination of employment).

Active employees may not withdraw funds.

Program of loans to employees is
to be established by January 1, 1988.

3. SURVIVOR BENEFITS

Proposed conference agreement - May 14, 1986

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A. Pre-retirement
death benefit
to spouse or
former spouse

At death of married employee with 18 months
of civilian service, surviving spouse gets--

1. Lump sum of \$15,000 (indexed to CPI) and
one-half employee's annual rate of pay
or high-3 average if higher. Spouse may
elect payment as an annuity.
2. Annuity equal to 50% of accrued annuity,
if employee had 10 years of service.

These benefits are paid in addition to any
Social Security, group life insurance or
thrift plan death benefits.

B. Children's benefits,
payable at death
before or after
retirement

Annually adjusted amounts, offset by Social
Security children's benefits, varying by
number of children & whether or not orphaned.
In 1986 amount is about \$2,800 per child, up
to 3 children, or \$3,400 if orphaned.
Payable to unmarried child up to age 18,
age 22 if in school, or any age if disability
started before age 18.

C. Optional post-
retirement
death benefit
to spouse or
former spouse

Employee's annuity is reduced 10% to provide
annuity to surviving spouse.

Automatic if married unless jointly
rejected by both spouses.

Surviving spouse gets (1) 50% of employee's
unreduced annuity, and (2) supplement payable
to age 60 if ineligible for Social Security.
At spouse's death, employee's annuity is
restored to unreduced amount.

D. Special provisions
for surviving
former spouses,
or new spouses
due to marriage
after retirement

Benefits are the same as for surviving
spouses, subject to elections, court
orders and deposits in certain cases.

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4. DISABILITY BENEFITS

Proposed conference agreement - May 14, 1986

A. Administration and eligibility

Disability benefit paid if employee has 18 months of civilian service.

B. Definition of disability

Employee must be unable, because of disease or injury, to render useful and efficient service in the employee's position. Employee will also qualify for Social Security benefits if unable to work in any substantial gainful activity. Employee may not decline reasonable job offer in the same agency and commuting area, at the same pay grade.

During disability, total income from work may not exceed 80% of former job's current pay level. Employee may be given physical exams.

C. Disability benefit amounts

- | | |
|------------------------------------|---|
| 1. In first year
of payments | 60% of high-3 minus 100% of any Social Security benefit payable to the employee. |
| 2. After 1st year,
up to age 62 | 40% of high-3 minus 60% of initial Social Security benefit payable to the employee, increased by annual COLA percentage (same as allowed for basic annuity at age 62 & over), but not below annuity earned to date. |

D. Retirement benefits after disabled employee reaches age 62

Recomputed from basic annuity formula, but limited to benefit payable to individual who gets Social Security (40%-less-60% formula).

Employee gets credit for years of disability toward basic annuity formula, and salary for purposes of the high-3 goes up at annual COLA percentage.

5. MISCELLANEOUS PROVISIONS

Proposed conference agreement - May 14, 1986

A. Credited service

- | | |
|----------------------|--|
| 1. Part-time service | Pay rate is increased to full-time rate, and benefit formula uses pro-rated service. |
| 2. Unused sick leave | Not credited. |
| 3. Military service | To get credit for post-1956 military service, employee must deposit 3% of military base pay for period of service, plus interest if deposit made more than 2 years after hire. |
-

B. Treatment of special groups of employees

- | | |
|---|--|
| 1. Firefighters, law enforcement officers and air traffic controllers | <p>Unreduced benefit at age 50 & 20 years of service, or any age & 25 years service.</p> <p>Annuity is 1.7% of high-3 pay times years of service up to 20, 1.0% times years over 20. Supplement paid to age 62, equals estimated Soc.Sec. benefit earned in federal service, earnings-tested above Minimum Retirement Age. Annual COLA percentage applies at all ages.</p> <p>Employees contribute additional 0.5% of pay.</p> |
| 2. Military reserve technicians | Employee separated due to termination of military service after age 50 & 25 years service gets unreduced annuity with Supplement to 62, earnings-tested above Minimum Retirement Age. |
| 3. Members of Congress and Congressional employees | <p>Unreduced annuity for Members only at age 50 & 20 years of service, or any age & 25 years of service.</p> <p>Annuity is 1.7% of high-3 pay times years of service up to 20, 1.0% times years over 20. Earnings-tested Supplement paid from Minimum Retirement Age to age 62.</p> <p>No COLA to age retirees before age 62. These classes contribute additional 0.5% of pay.</p> |
| 4. Employees of non-appropriated fund instrumentalities | Not covered. Department of Defense is to provide a study of how to give such employees appropriate benefits and portability. |
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5. MISCELLANEOUS PROVISIONS (continued)

Proposed conference agreement - May 14, 1986

C. Transfers of current employees covered by CSRS to new program

Current employees may elect between July 1 and December 31, 1987 to transfer into the new plan including Social Security--

- Credit in current program stops, but the high-3 pay continues to run.
- All service counts toward years needed to be eligible for retirement, disability and vesting in both CSRS and new plan.
- Employee gets survivor and disability coverage from the new plan only.
- Unused sick leave is credited under CSRS based on the amount accumulated at date of transfer, or date of retirement if lower.
- Current law Social Security windfall benefit reduction provision is retained.

D. Treatment of employees re-hired, who were not covered earlier by Social Security

1. Employees with break-in-service up to 1 year Remain out of Social Security and are covered by CSRS. May transfer to the new plan including Social Security coverage.
2. Employees with break-in-service over 1 year Covered by Social Security, and--
 - a) Those with less than 5 years under CSRS are covered by the new plan.
 - b) Those with 5 or more years under CSRS are covered by CSRS with 100% offset of Social Security. May transfer to the new plan.

E. Transition from interim plan in effect 1984-86

New plan's effective date is January 1, 1987.

1. Employees newly hired on or after January 1, 1984 Get credit for all service toward new plan. Those covered on January 1, 1987 get credit toward thrift plan of 1% of 1984-86 pay.
2. Employees before January 1, 1984, covered then by Social Security mandatorily These employees get CSRS benefits, offset by Social Security benefits attributable to federal service, and pay contributions at the CSRS rate less Social Security (OASDI) rate. They may transfer to the new plan.
3. Employees re-hired during 1984-86 These employees are treated the same as later re-hires (see D. above).



*George — End of the
road. We should have a
copy of the filed consensus
rept.*

DAVID S. ADDINGTON

COUNSEL
SUBCOMMITTEE ON LEGISLATION

Monday.

DS

HOUSE PERMANENT SELECT
COMMITTEE ON INTELLIGENCE

ROOM H406
THE CAPITOL
WASHINGTON, DC 20515
(202) 225-7310